



PHILIPPINES CLIMATE CHANGE MITIGATION PROGRAM

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TERMINAL REPORT

Technical Assistance to DOE for Enhancing Private Sector Participation in New and Renewable Energy Investments for Off-Grid Rural Electrification (TASK 2 – Consultations with Local Governments on Investments in New and Renewable Energy)

Submitted to the:



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and the



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TERMINAL REPORT

TASK 2

TECHNICAL ASSISTANCE FOR ENHANCING PRIVATE SECTOR PARTICIPATION IN NEW AND RENEWABLE ENERGY INVESTMENTS

This Terminal report consists of four parts namely: (a) a review of activities carried out under this Task; (b) a summary of the results of the consultation workshops; (c) recommendations resulting from those consultations; and, (c) recommendations on activities to follow through on the results of the consultations.

REVIEW OF ACTIVITIES UNDERTAKEN

The deliverables of Task 2 are as follows:

1. Selection of local governments in which to hold consultation workshops for the purpose of determining how a national Program for the Promotion of New and Renewable Energy sources (NRE) could be made acceptable to local government units (LGUs).
2. The design of presentation kits for use in those consultation workshops.
3. The conduct of the consultation workshops.
4. On a best effort basis, generate expressions of interest from the participants in the workshops.
5. The generation of information on the seven LGUs to be covered by the Task.
6. Recommendations on follow through activities in the LGUs in which the consultations were held.
7. Terminal report.

Work on the Task consisted broadly of five phases, namely:

- Selection of the LGUs;
- Preparation of presentation or briefing materials;
- Preparations for the consultation workshops;
- Conduct of the consultation workshops; and
- Completion of reports.

A brief description of each phase follows.

Phase	Description
Selection of LGUs	<p>This phase consisted of intensive discussions with the United States Agency for International Development (USAID), the Department of Energy (DOE) and the PA Consulting. Both USAID and the DOE understandably had their respective concerns to address by way of this activity. To satisfy all those concerned, the Task 2 Team decided to cover eight rather than the contracted seven LGUs.</p> <p>Other than the challenge posed by differing priorities of the concerned agencies, the Task 2 Team encountered no serious difficulties. The memorandum summarizing the basis for the final selection is attached as Annex 1. The selected LGUs were Nueva Vizcaya; Masbate; Northern Samar; Laoang, Northern Samar; Capiz; Antique; Lanao del Norte; and, Zamboanga del Norte. With the LGUs defined, the Team proceeded to organize teams to coordinate preparations for the consultations.</p>
Design of Presentation and Briefing Materials	<p>This also entailed extensive consultations with the Department of Energy, specifically the office of Engr. Ruben Quejas. A total of three consultation meetings were held. The briefing materials consisted of a reference document using a "Question and Answer" format and a PowerPoint presentation. A copy of the reference document is presented as Annex 2 and the PowerPoint presentation is presented in Annex 3. A diskette copy of the PowerPoint presentation is attached to this report for reference.</p> <p>A major difficulty encountered was the initial dearth of case materials to show the participants. The first drafts of the materials consisted mostly of non-Filipino cases. With the help of the other Task consultants, the Team was able to gather enough information to generate a more "Filipinized" version of the New and Renewable Energy Development program.</p>
Preparations for the Consultation Workshop	<p>This phase was the most difficult in the Task. It consisted of three parallel activities, namely: (a) the design of the Consultation Workshop process; (b) the gathering of information relevant to the Consultation Workshops; and, (c) actual field preparation work.</p> <p>The most valuable pieces of information gathered were the maps, the data showing the level of energization by barangay, and the key local players in the energy sector. This helped the team determine which municipalities and barangay heads to invite, and what institutions had to be tapped to ensure</p>

	<p>effectiveness of Consultation-Workshops. In Mindanao, the role of the Mindanao State University in Iligan (MSU-IIT) was critical as they used their network to ensure that the preparations were in order.</p> <p>The last activity was the most difficult. It consisted of three tasks, namely: informing the selected LGUs and key institutions of the planned event; requesting their assistance to coordinate the preparations; and requesting the LGU to host the activity.</p> <p>When informed of their selection, all except Nueva Vizcaya province agreed to cooperate. Governor Agbayani said he would be very busy attending to his re-election bid. A surrogate LGU was selected: Kasibu, Nueva Vizcaya. It turned out to be a good site as it was (and still is) in the midst of an initiative to establish a NRE facility in four of its barangays.</p> <p>Capiz and Masbate provinces begged off barely fourteen days before the scheduled consultation. This and other coordination problems encountered were attributable to the closeness of the start date to two major events in the Philippine calendar namely the Holy Week and synchronized elections. The latter was the most troublesome. The local chief executives were afraid of organizing events that would be snubbed.</p> <p>Guide to field coordinators containing their prepared talking points with Local Chief Executives (LCEs); the prepared team itineraries; and sample correspondence to other local players are shown under Annex 4A-B.</p>
Conduct of Consultation Workshops	<p>The Consultation Workshops were conducted within March 26 and April 18. The Holy Week served as a break between the two batches of LGUs. Not much difficulty was encountered during the workshops. The worst that happened were tardiness of participants. In Lanao del Norte the workshop started at 10:00 AM continuing into 6:00 PM.</p> <p>A Facilitator and a Co-Facilitator from the Team handled each Consultation Workshop. When present, representatives from the DOE and the Affiliated Non-Conventional Energy Centers (ANECs) or the local electric cooperative served as the technical resource persons alternately. For Zamboanga del Norte, in the absence of both the ANEC and the DOE, the MSU-IIT provided expert counsel to the participants.</p> <p>A summary of the Consultation Workshop results is presented in the next section. The schedule of Consultation Workshops is attached as Annex 5.</p>

Reports	The documentation reports on the workshops were completed one week (April 26) after the last consultation (Masbate, April 19). The terminal report was completed on May 10. No difficulties were experienced in this phase.
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SUMMARY OF CONSULTATION WORKSHOPS RESULTS

The Consultation Workshop activity consisted of 6 activities including the Opening Activity, designed for a maximum running time of 8 hours. The six activities included:

- Opening Activity
- Introduction of the Philippine Rural Electrification Program, New and Renewable Energy and the Market Package Concept
- Current Reality Dialogue
- DOE Information on Next Steps for the LGU
- Expression of Interest to the Program
- Closing Activity

In all, four (4) provinces, eighteen (18) municipalities and forty-two (42) barangays were represented in the Consultation Workshops. A total of 144 officials and private citizens participated in said activities.

A copy of the Workshop Design is presented in Annex 6. The table below summarizes the major results of activities 2-5 of the Consultation Workshops.

Workshop Activity	Major Results
Introduction of the Philippine Rural Electrification Program, New and Renewable Energy (NRE) and the Market Package Concept	<p>Very few clarificatory questions were asked on the Philippine Rural Electrification Program. Of more interest to the participants were the presentation on the NRE and the Market Packages.</p> <p>The NRE discussions centered on the cost of installation and the technical requirements as well as features of the installation.</p> <p>On the Market Package, the discussion centered on the clustering approach used. In all consultations conducted, none of the identified service area clusters reached ten barangays. The facilitators observed that at the most, four barangays would form a cluster. The use of the pre-identified clusters in breaking up barangays into workshop groups had to be reviewed in the light of some communities' opinion that such clusters would not work. Wide dispersion of households and connectivity reasons were commonly cited in questioning the validity of the market packages.</p>

Current Reality Dialogue	<p>In assessing the demand for electricity, none opted for a free ride to electrification. Of the 19 clusters or workshop sub-groups, 17 stated that they need electricity so much that they are willing to invest in it given the right price. The remaining two clusters opted to allow private investors to take the lead under a BOT arrangement. But they offered to provide funding (from their 20% development fund) should the private investor request for equity counterpart from them or in the event that the private investor drops the electrification project.¹ It was noted that several times, participants agreed that upland households are willing to pay the right price for electricity.</p> <p>The distribution of demand by user type varied widely among the 19 clusters. On the average the projected percentage distribution in the use of power was as follows:</p> <ul style="list-style-type: none"> ▪ Residential 32% ▪ Livelihood 56% ▪ Public Services 12% <p>A rundown of the identified hindering and favoring factors is presented in this section. The most mentioned favoring factor is LGU support followed by the availability of a resource, support of an organization and finally the technical capacity to implement an NRE project.</p> <p>For subsequent activities, the participants often mentioned the following:</p> <ul style="list-style-type: none"> ▪ Search for financing source ▪ Preparation of feasibility studies ▪ Issuance of resolutions in support of the project ▪ Network with their higher LGUs to request for counterpart funding ▪ For the local electric cooperative to provide training to barangays with NRE projects ▪ Assess the resource in terms of its capacity (volume flow) for micro-hydro ▪ Conduct information, education campaigns to
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¹Participants in the two clusters explained that they would wait first for an investor to finance the planned NRE project in the light of a private sector's expressed interest to pursue an NRE project in the area under a BOT arrangement. See the Masbate Consultation Workshop proceedings.

	<p>educate people on the NRE</p> <ul style="list-style-type: none"> ▪ Seek investors in NRE potentials
DOE Information on Next Steps for the LGU	<p>Where the DOE was present, the representative was asked to comment on the "next steps" identified by the participants. In Kasibu, the DOE was engaged in discussions on the technical requirements of the solar and micro-hydro systems. In Antique and Northern Samar, the representative expounded on the requirements of government financial institutions (GFIs). The discussions were varied. The roles of ANECs were also discussed.</p>
Expression of Interest to the Program	<p>Informal expressions of interest were prepared by the participants. In Kasibu and Antique, narrative EOIs were drafted on site by the participants and signed by everyone. In other sites, posters were produced, either by cluster or in plenary, and signed by the participants.²</p> <p>In the first two consultations in Northern Samar, a formal Expression of Interest (EOI) to be signed by the participants was provided. The legal language and the idea of signing the EOI dampened the enthusiasm of the participants, as it was perceived to carry a legal obligation on their part. This prompted the Team to drop the more formal format and opt for the more informal process of eliciting EOIs. Please see sample format of formal EOI in Annex 7.</p>

² Please refer to the Consultation Workshop Proceedings for reproduction of EOI posters.

SUMMARY OF HELPING FACTORS

LGU Support

- 20% of IRA may be used for the projects (7)
- Willingness of barangays to provide counterpart funds from their IRA (2)
- Counterpart from the LGU may be made available (2)
- IRA is available (2)
- Barangay resolutions can be issued
- Barangay support in the form of 20% IRA
- Barangay teachers and officers can help
- Some municipal counterpart funds
- Electric posts made available by barangays
- Counterparting is accepted, fast release of budget from ANIAD to projects
- Financial assistance from LGU
- LGUs and stakeholders are cooperative
- Receptivity of LCEs to NRE
- Resolutions issued requesting for support from the DOE
- Right of eminent domain
- P500, 000 cash in bank with additional funds from the IRA (Guibo, Siayan)
- The Mayor and the barangay council support the effort

Support from Other Organizations

- Presence of cooperatives and other groups (3)
- Coordination of NGOs and LGUs is good (2)
- Presence of institutions that can be of help (NORMASELCO, TESDA, ANEC and DOST) (2)
- Presence of local NGOs (2)
- Acceptance by barangay council and local people's organization
- Cooperatives are active
- Existing partnerships between people's organizations, non-government organizations, local governments and ANECs.
- Financial assistance from the NGOs
- NGOs supportive of NRE initiatives
- Presence of farmers' cooperative
- Strong community organization
- Supportive Electric cooperative and NAPOCOR
- High level of interest in NRE by the NAPOCOR and LANECS
- Province is host of ER 1-94
- Regular release in share in national wealth to the province

Resource Is Available

- Solar and wind resources available/plentiful (3)
- Abaton falls, Sibuton falls
- Availability of resource
- Barangay water sources
- Cabagian and Palmera falls
- Falls and wind are available
- Maliao River
- Micro-hydro sites have been identified by the LGUs
- Natural resources
- Panagawayan falls for mini hydro
- Panay River
- Waterfalls
- Rivers and streams abound
- Salog River for micro-hydro
- Streams and rivers abound
- Sunlight is available
- Available local materials
- Water resources will be maximized
- Water supply is available (Panay River)

Technical Capability to Implement the Project

- Availability of electricians and technicians (3)
- Available human resources/manpower available (3)
- Availability of skilled people/trained labor (2)
- Barangay electricians are available
- Existing solar project
- Experience in solar energy
- Presence of ANEC
- Presence of electricians and technicians
- Technical capability

Community Preparedness

- Bayanihan spirit is alive (2)
- Concern for watershed conservation
- Cooperative spirit of the residents
- Feasibility studies completed
- People are willing to pay higher than the current P100 they spend for electricity or lighting
- Strong community organizing skills brought by ANIAD

Complements Other Projects

- Agri-producing area
- CBRMP can complement
- Income generating projects in place in some municipalities
- Need for water
- Presence of ecotourism sites
- Salvador is covered by corn cluster program
- Tourism potential

Effective Implementation of Electrification Programs

- Barangay electrification program
- Electrification under the ARC program
- LANECO and NPC programs are implemented province-wide
- On-going barangay electrification program
- Proposed electrification of MASELCO

Other Factors

1. Accessibility
2. Accessibility by road
3. Low labor cost for maintenance
4. Rare typhoons
5. Transparency in government transactions

SUMMARY OF HINDERING FACTORS

Technical Constraints to Construction or Installation of the Facility

- Lack of farm-to-market road/ Poor road condition/network (6)
- Lack of accessibility for delivery of materials (4)
- Inaccessibility of project site (3)
- Right of way (ROW) problems (2)
- Transportation problems (2)
- Catubig river obstacle
- Construction will be difficult
- Difficult terrain
- Inadequate communication facilities
- Location of sites
- Micro-hydro may need lots of materials to construct
- No hardware to implement the project
- Off-grid areas
- Some micro-hydro sites are far away
- Source of materials to be used

Community Preparedness

- Dole-out mentality (3)
- Expensive fees / Fees are not affordable (2)
- Expensive fees (P50-100)
- Financial constraints on the part of the households
- Insufficient information
- Low income (2)
- Need for capability building
- No champion or prime mover
- No community support
- No support from landowners
- No viable organization to manage the facility later
- P60 a month is too much
- Some micro-hydro potentials are located in private lots
- Too expensive at P90 per month
- Tribal resistance to the project
- Waiver from cultural minorities for the implementation of the project

Fund Limitations

- Lack of financial resources/investment funds (7)
- Lack of counterpart support from LGUs (2)
- No financial support (2)
- Financial support needed for the electrification program
- MASELCO agrees to connect sites if the LGU helps cover the cost of clearing coconut trees

Technical Limitations to Implement the Project

- Absence of RE service companies in the province
- Lack of expertise in NRE
- Lack of technical personnel
- Lack of technical skills
- Limited technical knowledge of NRE
- Needs technical studies
- No experts or technical personnel
- Dispersed households
- Household distribution dispersed in target barangays
- Limited sunlight
- Some sites are used for irrigation purposes
- Typhoons are common and will affect risk as well as construction

Bureaucratic Requirements

- Bureaucratic red-tape delays implementation (2)
- DENR has not issued any policy on need for ECC for RE projects
- Difficult to get approval of agencies
- Implementing arm of the project has not been identified
- Lack of transparency delays implementation
- Poor networking between agencies

Peace and Order

- Peace and order situation is bad (3)
- Insurgency
- Crime situation

Politics

- Political factors (2)
- Political affiliation: Favoritism
- Politics or intervention of politicians in development of a site

RECOMMENDATIONS RESULTING FROM CONSULTATION WORKSHOPS

The following are two sets of recommendations, based principally on the results of consultations with local government officials and other participants to the workshops held between March 26 and April 20, 2001. The first set of recommendations deals with how the local government units (LGUs) can be motivated to actively support the New and Renewable Energy (NRE) Development Program of the Department of Energy (DOE). The second set concerns suggestions on an initial batch of local governments which may be approached for the implementation of the DOE's NRE Program.

Some of the recommendations may seem obvious but we state them anyway for emphasis and in recognition of the strategic role that local governments play in countryside development. In that regard we start by invoking Section 2.c of the Local Government Code of 1991 requiring "all national government agencies and offices to conduct periodic consultations with appropriate local government units, non-governmental and people's organizations and other concerned sectors of the community before any project or program is implemented in their respective jurisdictions." Related provisions in the Code include Sections 26 and 27.

MOTIVATING LGUs TO SUPPORT THE GOVERNMENT'S NEW AND RENEWABLE ENERGY RESOURCES DEVELOPMENT PROGRAM

Involve local government units (LGU) in the design of NRE projects from conceptualization to implementation.

The workshops merely confirmed how LGUs could be of tremendous help in initiating NRE projects in their localities. The workshops specifically showed:

- How LGUs could facilitate rapid assessments of NRE resources, using local knowledge;
- How cooperative they could be in facilitating preparations for more detailed studies on each potential NRE resource;
- The LGUs' openness to venture with private parties in the development of NRE resources;
- Their willingness to provide financial and other forms of support to viable NRE projects, if need be.

Asked about their level of interest in NRE projects for their off-grid zones, all 19 of the barangay clusters formed during the Consultation Workshops said that they were willing to implement the projects even if they have to invest in it.³

As observers at the Consultation Workshops, one could not help but notice the subtle authority that local chief executives (especially Governors) held over Electric Cooperatives. That relationship could be crucial when the need for waivers arises.

There is also the need for the LGU's support in preparing the community to ensure the viability of the NRE facility. Community unpreparedness was the second most-mentioned hindrance to NRE development during the workshops.

As experienced in the workshops, there appears to be possible differentiation of roles for each level of LGU. At the **provincial level**, the following concerns could be addressed:

The workshops yielded information on a number of LGU initiatives in NRE development, including two mini-hydro development projects (Lanao del Norte and Zamboanga del Norte)

Participants mentioned local government supports the most as a "helping factor" in the implementation of the NRE Program. A summary of "Helping and Hindering Factors" is attached for reference. The more common forms of support are:

- *Counterpart funds from their respective development funds (20% of regular income). Antique had appropriated more than P1.0 million for its electrification program while several barangays had set aside substantial amounts as their counterpart to NRE projects. The municipality of Siayan in Zamboanga del Norte, has a barangay (Guibo) with P500,000 ready for investment in an NRE project.*
- *Making available non-financial LGU resources. In Zamboanga del Norte, the Governor verbally committed financial support to viable NRE projects identified and the provincial team of electricians who also complement the local electric cooperative's technical pool.*

- The role or contribution of the local electric cooperative.
- Networking with national agencies and private sector establishments with capacity to finance or provide technical assistance to NRE initiatives.
- Commitments for financial support to municipalities and barangays willing to implement NRE projects. The province receives substantial portions of the shares in natural wealth of LGUs. The barangays and municipalities could use these proceeds for their NRE projects. Some provinces also provide "support to barangays" from the development fund, on a regular basis.

On the other hand, actual project planning is best done at the **municipal level**, participated in by the barangay clusters. The planning process, which to some extent was done in Laoang, Kasibu, Tapaz and Dimasalang covered initial identification of resources, assessment

³ In two clusters, the participants said they would wait first for an investor to finance the planned NRE project before they invest in an NRE Project, considering that there were identified private companies that expressed interest under a BOT arrangement. See the Masbate Consultation Workshop proceedings.

of community preparedness and the LGU's financial capacity and making an initial estimate of demand for energy, at the barangay level. It was observed that a process could be designed so that a structured municipal-barangay level project planning could be completed quickly.

Given basic technical information, the community can very well assist experts in pointing out local resources and other factors that can be tapped and considered in planning and designing NRE facilities, and immediately rule out options that do not match local realities and preferences. Such a process can be tedious and costly without the key informant's cooperation and active participation.

Annex 8 presents a summary of a participatory planning process in which information and insights vital to the formulation of a realistic project plan can be generated and organized. Involvement of the LGUs and community representatives in such a process has served as a venue not only for project planning but also ultimately for bonding the key local players to the project and the subsequent effort.

Except perhaps for coastal or island communities, peculiarities of a site in terms of its physical characteristics as well as the customs (of indigenous peoples) and livelihood systems of its people, distinguish one NRE Project Package from another. There may be a need to design a method, or structured process, for customizing certain NRE project components.

- *Cultural Minorities in LGUs Covered by the Consultations*
- *More than 20% of Zamboanga del Norte's population is Subanon, most of them occupying the province's hinterland.*
- *Antique's aeta population is concentrated in the highlands where micro-hydro potentials abound.*
- *70% of Kasibu's population consists of a mixture of Igorot, Benguet, Bugkalot and other Cordillera tribes-people.*
- *Lanao's del Norte's uplands are inhabited mostly by Muslim communities.*

The components of NRE projects referred to are:

- Organization and management;
- Financial packaging; and
- Marketing.

Twice, tribal opposition was mentioned as a hindering factor to NRE project implementation. As noted earlier, the unpreparedness of communities was the second most-mentioned hindrance to project implementation. On the other hand, it is the careful handling of tribal communities by an NGO that figured prominently in what appears to be a successful initiative in Kasibu, Nueva Vizcaya. In the same light, not all barangays share the exact same level of enthusiasm for NRE projects. It was only in Kasibu that the team experienced four barangays sharing the same level of excitement for the NRE projects in the pipeline (one under installation).

Peculiarities arising from differences in existing or potential livelihood systems of upland communities is another reason for customization. The people of Guibo, Siayan Zamboanga want electricity to power their eco-tourism potential while the tribal communities of Dine, Pao, Siguem and Paqued, all in Kasibu want electricity for their common work facility and water supply. On the other hand, the barangays of Salvador in Lanao del Norte want electricity for milling and entertainment.

There may also be a need to customize the clustering of communities on the basis of localized characteristics rather than pre-determined factors based on statistics. Localized characteristics could range from customs and tradition, which bear on the community's decision to tap an NRE source, to the readiness of a community to sustain an NRE facility, i.e. the issue of user fees.

In all consultations conducted, none of the identified service area clusters reached ten barangays. The facilitators observed that at the most, four barangays would form a cluster. The use of the pre-identified clusters in breaking up barangays into workshop groups had to be reviewed in the light of some communities' opinion that such clusters would not work. Wide dispersion of households and connectivity reasons were commonly cited in questioning the validity of the market packages.

No Need To Wait for the Clusters

At the Zamboanga del Norte workshop, the participants were flabbergasted when a participant from Guibo, Siayan suddenly announced that the barangay had P500,000.00 in the bank for its NRE project. Then and there, the barangay requested for assistance to proceed. Were we supposed to tell him to wait for at least nine other barangays to form a Market Package?

The Kasibu group number only four barangays, two of which have been "energized", having been connected to the grid. The participants remarked that only eight households have actually been connected to the grid. How can this situation figure in the Market Package clustering?

In the north and in Mindanao, the likelihood of tribal communities being affected by NRE projects is high and therefore all the reason to be sensitive to unique cultural features. In the workshops of Kasibu, Lanao del Norte, Zamboanga del Norte and Antique, concerns of tribal and cultural communities figured with some prominence in the discussions. The De La Salle University's experience with cultural minorities in the installation of a micro-hydro project should be a good reference.

In the same vein, the NRE Program should not be hasty in advising communities to form "cooperatives" that would own the facility, or having a "juridical personality." The approach, which was extensively promoted during Marcos' time led to frustrations with the cooperatives movement.

The Kasibu experience should be a good source of learning in this regard. The community organization taking the initiative in the NRE project deliberately refrained from forming a formal cooperative until such time that they believe they are prepared, organizationally, to call themselves one.

Affiliated Non-conventional Energy Centers (ANECs), being closer to the LGUs, should be accorded more support to actively promote NRE. Their skills in dealing with the political and socio-cultural aspects of NRE development need strengthening.

Politics and community unpreparedness combined were mentioned most often by workshop participants as the hindering factors to NRE development. Surprisingly, lack of technical skills was one of the least mentioned as a hindrance.

ANECs representatives were present in four of the eight workshops. The ANEC for Region VI (based in Iloilo City) came prepared and was very knowledgeable on the Antique area and the technical aspects of NRE. Its representatives distinguished themselves during the discussions thus illustrating the potential role that ANECs can play in promoting NRE technology among LGUs.

A noticeable deficiency in the discussion on NRE technology was the lack of local examples, particularly of successful cases of viable NRE-based systems in the Philippines. Most systems in place were established through grant financing while the Shell RESCO and Atulayan experiences in Aklan and Camarines Sur, respectively have not yet been assessed.

In that regard, it is suggested that a Conference of ANECs be organized as a forum for sharing experiences and insights not only on technology but also in the political and socio-cultural aspects of NRE project implementation.

The number of ANECs needs to be increased at a ratio of at least one per province. Before reaching such a standard, ANECs will have to tap every resource available. One such resource is the Project Development Assistance Center (PDAC) based in the National Economic and Development Authority's (NEDA) regional office. PDACs are mandated to assist LGUs in their project development needs.

Facilitate the release of LGUs' share in national wealth from Government Owned and Controlled Corporations (GOCCs) and agencies (NGAs) and assist LGUs access financial resources from funds established under ER-1-94.

At the consultations, the National Power Corporation (NAPOCOR) explained sources of funds that LGUs may tap to finance NRE projects, other than the financing programs of the Development Bank of the Philippines and the Land Bank. These funds include: (a) the LGU's share in national wealth as stipulated in Articles 386-392 of the Implementing Rules and Regulations (IRR) of the Local Government Code of 1991; and, (b) funds established under ER 1-94.

For the former, provinces may learn from Lanao del Norte, which regularly receives its share from the National Power Corporation while barangays may learn from Guibo, Siayan, and Zamboanga del Norte. Likewise, Kasibu barangays received funding from the Philippine National Oil Corporation (PNOC) to finance their micro-hydro project.

Funds generated from the share in national wealth are substantial. Under the Code, if the proceeds were derived from the development and utilization of hydrothermal, geothermal and other uses of energy, 20% of the LGU's share may be used for development and livelihood projects while 80% must be used to "lower the cost of electricity in the LGUs where the source of energy is located".

On the other hand, funds established under ER 1-94 may be used for projects of cooperatives, including livelihood and NRE projects of communities. Lanao del Norte has had experience in accessing this fund source.

There should be more policy and networking support to LGUs. This is a role best performed by the Department of Energy. In addition the Department must be ready to serve as mediator between Electric Cooperatives and LGUs over cases affecting the implementation and operation of NRE facilities.

Four NRE projects encountered at the workshops resulted from networking activities of the Department of Energy. These are the mini-hydro project in Zamboanga del Norte, Capiz and Lanao del Norte, the hybrid system in Masbate and the micro-hydro project in Kasibu. In Zamboanga del Norte, the DOE linked the province to Smith-Bell. In Masbate, the LGU was linked by the DOE to Breeze Electric. In Kasibu, the DOE linked the interested farmers' groups to the PNOC. These experiences point to a vital role that the DOE can play in supporting LGU initiatives: linking LGUs to investors.

The Department of Energy, NAPOCOR and the Philippine National Oil Company (PNOC) need to develop guidelines that will facilitate the release of LGUs' shares in national wealth as well as access to the funds established under ER 1-94.

At the consultation in Dimasalang, Masbate, a cluster of barangays expressed preference to manage its own NRE project. The local electric cooperative was open to the idea provided they are paid royalties for the franchise. The LGU representatives found this unacceptable. This is one case where intermediation perhaps by the DOE will be necessary for NRE and off-grid electrification to prosper.

Allow both the LGUs, NGOs, private groups and local electric cooperatives to develop creative mechanisms that will promote the viable operation of NRE Systems within franchise areas.

There was no instance in which local electric cooperatives (LECs) expressed opposition to the operation of NRE systems within their franchise areas. In all cases, the LECs encouraged LGU representatives to establish and operate NRE systems. There has to be ways of formally reflecting such supportive attitude in agreements between LGUs and local electric cooperatives. Waiver of franchise rights is only one of those ways.

The consultation workshop in Dipolog City coincided with the signing of a Memorandum of Agreement between Smith-Bell RESCO, the Zamboanga del Norte Electric Cooperative and the Provincial Government, to cooperate towards developing a mini-hydro plant.

Likewise the Philippine Rural Reconstruction Movement in Kasibu and the Nueva Vizcaya Electric Cooperative signed a Memorandum of Agreement for the former to develop and operate a micro-hydro plant in four barangays of the municipality.

In Kasibu, the NUVELCO agreed to allow the PRRM to establish a micro-hydro system for certain barangays. However, there is a provision in the memorandum of agreement (MOA) categorically stating that the MOA is not a waiver of franchise.

Without discounting their involvement in large scale (more than 10 barangays, as described in the Market Packaging concept), commercial development of NRE systems within the next few years, Local governments are likely to be implementing small scale, community-based initiatives involving one to four barangays at most. Many may even be "stand alone" installations in conjunction with barangay-level facilities such as water supply,

street lighting or communications. Such initiatives may require less sophisticated arrangements.

But when such sophisticated arrangements become necessary, it would be useful to have available, tested models illustrating alternative management or organizational set-ups that could be used as basis for crafting more appropriate arrangements.

Implement the NRE Program in the Autonomous Region of Muslim Mindanao (ARMM) areas in partnership with Muslim institutions.

Muslim participants in the Lanao del Norte workshop noted the National Electrification Administration report showing large numbers of unenergized barangays in the ARMM area. To boost the Program and ensure its success, MSU-IIT Chancellor Dr. Mar Salazar, who served as resource person in the Lanao and Zamboanga del Norte workshops, suggested that genuine, and respected Muslim institutions be intensively involved in the program's implementation. He said that the Mindanao State University- Institute of Technology (MSU-IIT) in Iligan is particularly keen in participating in the initiative.

It was observed that the institution is already into NRE activities. The MSU has satellite campuses throughout Muslim Mindanao and enjoys the respect of all Muslim communities.

RECOMMENDATIONS ON FOLLOW THROUGH ACTIVITIES

Consultations in eight LGUs were conducted. In all, participation was enthusiastic, despite, or perhaps because of, the novelty of the subject matter. Surprisingly, LGU representatives, especially those at the barangay level, had one or two project ideas ready by the end of each consultation. The following represents the Task 2 Team's thoughts on the level of readiness of the eight LGUs for NRE initiatives.

A simple set of criteria was agreed upon by the members of the Task 2 Team, particularly those who were involved in the preparations for and the conduct of the workshops. Not included in the set of criteria were factors that were used in the ranking of the Market Packages such as number of unenergized households, average household income and others. The assessment focused on factors that would be indicative of their readiness and willingness to implement NRE projects in their areas.

Only six factors were considered namely:

1. Availability of funds to implement an NRE project

This is indicated by amounts set aside by the local government for the implementation of an identified NRE project.

2. NRE projects identified or contemplated, with a resource already identified

This is indicated by an identified resource that the community or the LGU believes is a viable source of NRE. These include hydro, biomass, solar or wind source. LGUs appeared to be confident about their water and solar sources for projects.

3. The local electric cooperative's level of support

This is indicated by the participation shown by the local electric cooperative at the workshop as well as its actual support to community initiatives in NRE development as evidenced by documentation and accounts by key informants at the workshop.

4. Presence of an investor willing to invest in an NRE Project or an Organization willing to provide funds for NRE Projects in the Province/Municipality

Investors include the LGU, a donor, a private investor, the electric cooperative or an organization or institution contemplating to secure funds for a local NRE project. Organizations refer to national agencies or private institutions known to be peddling funds to LGUs or communities willing to implement NRE projects.

5. ANEC presence in the LGU

The LGU will need technical advice in the installation of the NRE system. The presence of an active ANEC in the area will be important. In the absence of an active ANEC, the presence of another active institution knowledgeable in the technology would do.

6. Perceived general interest of the local leadership and officials in the development of NRE projects in the area.

This will be based on a subjective assessment by the workshop facilitators, of the general level of interest shown by the local officials as indicated by their support during the preparations, their participation in the consultations and declarations made at the workshop. The presence of either the chief executives of the LGU is indicative of the importance they give to NRE development, or at least the rural electrification program as a whole.

Based on the above factors, the Team ranked the readiness of the LGUs as follows:

Most Ready

- Zamboanga del Norte
- Antique
- Kasibu Barangays

As may be gleaned from the table below, these LGUs or communities are ready for project-level technical assistance. Project development activities including the validation of NRE resource availability could already proceed in these LGUs. However, follow through activities should include expanding the coverage of the NRE program and promoting investments in larger scale projects

Ready but needs further support in terms of project identification and study. The NRE program will also need some social marketing push.

- Masbate
- Lanao del Norte
- Northern Samar (including Laoang)

This set of LGUs, while displaying keen interest in the NRE program, needs more assistance in defining the project sites. Perhaps because the workshops were conducted during the campaign period, not much attention was given to making financial commitments to the NRE Program. Pledges were made during the workshops but these do not carry any weight. Further work must be done to convince local officials to commit financial resources to achieve gains in the local rural electrification program. Rapid assessment activities using the methodology presented in Annex 1 could be used to help the LGUs determine the financial resource requirements of their NRE program.

Least Ready

- Tapaz, Capiz

It is suggested that further work in this municipality be terminated considering that electrification, according to them, is not the first priority.

Characterizing the LGUs' Readiness for NRE Program/Projects Using Prioritization Factors 1, 2 and 3

<div>Factor Considered</div> <div>Local Government</div>	<div>1</div> <div>Availability of funds to implement an NRE project</div>	<div>2</div> <div>NRE projects identified or contemplated but with a resource already identified</div>	<div>3</div> <div>The local electric cooperative's level of support</div>
Zamboanga del Norte	P500,000.00 is available immediately for an NRE project in the municipality of Siayan. The amount is currently deposited in a bank.	<p>A micro-hydro project was identified in barangay Guibo, Siayan. The municipal government had written the Department of Energy for assistance. The DOE replied that it was sending a team to evaluate the site.</p> <p>The development of a mini-hydro is currently subject of a memorandum of agreement between the local electric cooperative. The province and the Smith-Bell Resco</p>	The representative of the electric cooperative participated actively in the consultation and sat with the representative of the municipality of Siayan. While the subject of franchise waiver was not discussed, the representative said there was no really not to allow the implementation of the project by the LGU. The electric cooperative gets substantial support from the provincial government in the form of electric lines, posts and a team of linemen under the provincial government's employ.
Antique	In the year 2000, the provincial government allocated P1.2 million from its 20% development fund to finance NRE projects.	A micro-hydro project has been identified in the municipality of Bugasong. It was subject of a feasibility study financed by the USAID. Also DOE projects have been identified in 5 barangays of five municipalities.	The representative of the Antique Electric Cooperative committed to provide technical assistance to communities investing in NREs. They also expressed openness to waive their franchise rights in off-grid areas. Discussions with the electric cooperative's management also revealed their desire to be a co-investor to NRE projects in the province.
Kasibu, Nueva Vizcaya	The barangay councils of Dine and Pao have set aside unspecified amounts to complement the funds to be invested by the Philippine Rural Reconstruction Movement and the Philippine National Oil Company for proposed micro-hydro projects.	Micro-hydro sources have been identified in the barangays of Dine and Pao.	There was no representative from the local electric cooperative. But there is an existing agreement between the Nueva Vizcaya Electric Cooperative (NUVELCO) and the Philippine Rural Reconstruction Movement (PRRM) in which the latter is allowed to implement an NRE project under the condition that the management and operation of the facility is turned over to a community planning, monitoring and evaluation committee. Under the agreement, the NUVELCO shall provide technical training to the community, hauling support and serve as "external consultant".

Characterizing the LGUs' Readiness for NRE Program/Projects Using Prioritization Factors 1, 2 and 3 (continued)

Factor Considered Local Government	1 <i>Availability of funds to implement an NRE project</i>	2 <i>NRE projects identified or contemplated but with a resource already identified</i>	3 <i>The local electric cooperative's level of support</i>
Laoang, North Samar	No funds have been set aside by the municipal government although a pledge to do so was made during the workshop. The municipality provided batteries to a DOE battery-charging project in Batad Island.	The Abaton, Sibunot, Cabagian and Palmera falls were mentioned as possible project sites.	There were representatives of the Northern Samar Electric Cooperative but their participation was very limited. In the workshops though, they committed to providing training support to communities.
Lanao del Norte	No funds have been set aside for NRE projects. However, the barangays of the municipality of Salvador expressed their plan to allocate some of their barangay funds for a micro-hydro project.	Representatives of the municipality of Salvador identified parts of the Salug river for a micro-hydro project. Most of the beneficiaries would belong to the Muslim communities.	The representative of the Lanao del Norte Electric cooperative, together with representatives of the National Power Corporation (NAPOCOR) were very supportive of the effort. LANECA has set up one solar panel in the province as pilot. Although there was no firm commitment on the draft franchise waiver agreement, the representative did not discount the possibility of it being approved by the LANECA board.
Northern Samar	No funds have been budgeted for NRE projects although according to the participants, barangays and municipalities have set aside funds for barangay electrification projects in the past.	Provincial government participants did not identify specific project sites.	"Buck passing" between the Northern Samar Electric Cooperative (NORSAMELCO) and the NAPOCOR was reported by the participants.
Dimasalang, Masbate	The municipality set aside funds for the purchase of generators, which provide electricity for only three hours and is expensive to maintain. They are willing to set aside funds for NRE projects. As of the workshop, no funds had been allocated for the purpose. However during the workshop the barangays of San Vicente, Calabad, Balantay and Rizal set aside a total of P282,000 for NRE projects.	They have identified several barangays in the municipality for solar and wind projects. Preference is for solar-based systems. The four barangays mentioned were specified as project sites for solar-based systems.	The Masbate Electric Cooperative is very supportive of efforts to install NRE systems in the province. They have set up solar systems in two municipalities and have agreed to the operation of a hybrid NRE system by Breeze Electric. They have also committed to secure funds, if necessary to support village-level NRE initiatives.
Tapaz, Capiz	No funds have been set aside for NRE initiatives. The community representatives expressed their preference for roads.	A micro-hydro installation was planned in the past for barangay Minan. The project fell through.	No representative of the Capiz Electric Cooperative was present.

Characterizing the LGUs' Readiness for NRE Program/Projects Using Prioritization Factors 4, 5 and 6

Factor Considered Local Government	4 <i>Presence of an investor willing to invest in an NRE Project or an Organization willing to provide funds for NRE Projects in the Province/Municipality</i>	5 <i>ANEC presence in the LGU</i>	6 <i>Perceived general interest of the local leadership and officials in the development of NRE projects in the area</i>
Zamboanga del Norte	A representative of the Smith-Bell RESCO stayed through most of the workshop and listened intently to the discussions. She was obviously watching out for potential investment opportunities. In addition, the municipality of Siaya and the barangay government of Guibo have funds for an NRE project.	The Affiliated Non-Conventional Energy Center for Zamboanga del Norte is the Mindanao State University in Marawi City (MSU-Marawi). It is perceived to be weak. However, its sister institution, the MSU-Iligan Institute of Technology, is willing to provide the service expected of an ANEC not only for Zamboanga del Norte but for the entire Muslim communities.	The provincial staff maintained close contact with the Team as preparations for the workshop were made. They helped in the arrangements and waived their fees for the use of the conference venue. Governor Amatong graced the opening and declared full support for the program in the form of financial and technical assistance to barangays with viable NRE initiatives. He believes that NREs will be the only way to energize the inaccessible barangays.
Antique	While carrying out preparatory work the Antique Electric Cooperative officials revealed their intention to be a co-investor in any NRE initiative in the province. ANELCO covers 16 of the 18 municipalities of Antique. Two others are served by the Aklan Electric Cooperative.	ANEC presence in Antique is strong. They have had joint undertakings with Antique local governments in the past and are respected as an authority on NRE. The Central Philippines University serves as the ANEC for Region 6.	The staff of the Antique Integrated Area Development Project (ANIAD) provided helped the Task 2 team prepare for the workshop. They also were active during the workshop itself and maintained very close coordination with the Task 2 Manila Office. The Governor himself gave instructions to his staff to support the effort. The province made arrangements for the workshop to be held at the Evelio Javier Training Center. The Center's Executive Director welcomed the participants to the workshop.
Kasibu, Nueva Vizcaya	The Philippine Rural Reconstruction Movement, Bayombong Field Office, will serve as the major investor, with the community providing their resources as well.	ANEC presence in the province is poor. No representative was at the workshop to help explain the technology. Fortunately, the DOE representative was present to help in explaining the technology.	The municipal Mayor and other town officials are not keen on the project, which is strongly supported by the barangays. The barangay government of Dine organized the workshop and offered a community facility as venue and overnight place for the facilitating team.

Characterizing the LGUs' Readiness for NRE Program/Projects Using Prioritization Factors 4, 5 and 6

<div>Factor Considered</div> <div>Local Government</div>	<div>4</div> <div><i>Presence of an investor willing to invest in an NRE Project or an Organization willing to provide funds for NRE Projects in the Province/Municipality</i></div>	<div>5</div> <div><i>ANEC presence in the LGU</i></div>	<div>6</div> <div><i>Perceived general interest of the local leadership and officials in the development of NRE projects in the area</i></div>
Laoang, Northern Samar	There has not been any known interest to invest in NRE projects in the municipality.	ANEC presence in the region, including the province of Northern Samar is strong. A representative of the University of Eastern Philippines actively participated in the workshop by sharing his technical knowledge on the subject matter. The ANEC has taken the initiative to conduct measurements of wind power in the province. It also assisted the DOE in implementing the Batad Island Project. A distinctive feature of the ANEC is its capacity to "play politics" with LGU officials.	The municipal Mayor attended the workshop but could not commit resources to future NRE initiatives. The municipal officials however were very supportive of the consultation and did what they could to make it a successful activity.
Lanao del Norte	One private sector representative, from the Mindanao Cooperative Institute of Technology, expressed its interest to invest in NRE initiatives. The MCIT's desire to invest in NRE projects was encouraged by the NAPOCOR representative who said that they preferred financing NRE projects initiated by private sector organizations. MCIT is supported actively by the MSU-IIT. The NAPOCOR manages funds under ER 1-94. The funds can be used for NRE projects operated by community-based cooperatives. The local electric cooperative did not express any objection to such initiatives.	The Affiliated Non-Conventional Energy Center covering Lanao del Norte is the Mindanao State University in Marawi City (MSU-Marawi). It is perceived to be weak. However, its sister institution, the MSU-Iligan Institute of Technology, is willing to provide the service expected of an ANEC not only for Zamboanga del Norte but for the entire Muslim communities.	<p>Lanao del Norte posed the least problem in terms of preparatory work. The Governor herself saw to it that the activity was supported. The Governor's husband, ex-Governor Abdullah Dimaporo, guested the closing, in behalf of the Governor. He said that the province is willing to set aside funds for barangay initiatives and will support efforts to access shares of municipalities and barangays in national wealth for the NAPOCOR.</p> <p>The province is pushing for the mini-hydro-project in Bacolod under a Build-Operate-Transfer arrangement. The feasibility study on the project has been completed and the Regional Development Council has indorsed its submission to the Investment Coordinating Council (ICC) of the National Economic and Development Authority (NEDA).</p>

Characterizing the LGUs' Readiness for NRE Program/Projects Using Prioritization Factors 4, 5 and 6 (continued)

<div>Factor Considered</div> <div>Local Government</div>	<div>4</div> <div><i>Presence of an investor willing to invest in an NRE Project or an Organization willing to provide funds for NRE Projects in the Province/Municipality</i></div>	<div>5</div> <div><i>ANEC presence in the LGU</i></div>	<div>6</div> <div><i>Perceived general interest of the local leadership and officials in the development of NRE projects in the area</i></div>
Northern Samar	No investors in NRE projects have been identified.	ANEC presence in the region, including the province of Northern Samar is strong. A representative of the University of Eastern Philippines actively participated in the workshop by sharing his technical knowledge on the subject matter. The ANEC has taken the initiative to conduct measurements of wind power in the province. It also assisted the DOE in implementing the Batad Island Project. A distinctive feature of the ANEC is its capacity to "play politics" with LGU officials.	The provincial government was very supportive of the activity but emphasized that their priority concern was still electrification through the grid. They expressed their plan to move for grid connection through Allen Samar from Sorsogon (Luzon). The province has supported grid electrification by providing posts and electric wires to the electric cooperative. The Governor did not commit to providing funds for NRE projects although barangay and municipal representatives to the workshop said they would be asking their respective officials for financial support to the NRE Program.
Dimasalang, Masbate	Other than DOE, which funded the solar project in Batad island, there is no investor interest to set up NRE facilities in the municipality. However, one group of barangays prefers to wait for investors interested in a BOT arrangement.	No representative from the ANEC, which is based in Pili, Camarines Sur. It is too far to be an effective promoter of NRE technologies.	The Mayor was there to grace the workshop. The municipality helped tremendously to ensure the activity's success. The barangay officials who were present pledged to allocate more than P200,000 as a pool from their Internal Revenue Allotments (IRA) as counterpart for NRE projects.
Tapaz, Capiz	A French company with funding from the Japanese Bank for International Cooperation (JBIC) prepared a feasibility study on the proposed mini-hydro plant in Tapaz. It was not sure if the French company is interested in setting up the facility under some financing mode. Other than this, no investor has expressed interest in Tapaz.	As stated earlier, the ANEC presence in Region 6 is strong. They have had joint undertakings with local governments in the past and are respected as an authority on NRE.	As the consultation gave the barangay captains the municipal officials an opportunity to match the need for NRE projects to the communities' other concerns. In the discussions, roads turned out to be of higher priority over electrification. Next was livelihood for the upland communities.

Annex 1

Memorandum re the final List of LGUs Targeted for Consultation Workshops

March 13, 2001

Fax Message

For: Director Francis Benito
Mr. Reuben Quejas
Mr. Chat Tatlonghari

Cc: Ms. Arlene Pamintuan

In an effort to come up with a “compromise list” we propose to go back to Masbate, field validate our perception on it and exert every effort to make it work. Masbate will however replace Nueva Vizcaya which we would have loved to do, knowing its potential. Below is a list of LGU’s that we really hope will address everyone’s concern:

Region 5, Masbate

The DOE informed us that the province appears to be ready for an RE package. USAID apparently supports the view. It has received very little attention in terms of development assistance in the past. Its League of Municipalities is still in its infancy after 10 years of effort. The Evelio Javier Foundation, which works closely with the municipalities are wary of the dynamics in Masbate. A strong provincial leadership is an advantage but we understand that the program will be dealing more with the municipalities. Six municipalities of the province qualify under Land Bank’s credit criteria (in connection with its Renewable Energy Program). If the latter is listed by rank, the highest among Masbate’s municipalities, Aroroy, is ranked 198th in a total of 349. We intend to hold a provincial level workshop in Masbate (1).

Region 6, Capiz and Antique:

Again these two LGUs are DOE seem to be DOE priority. Both provinces are ably led by their respective Governors, particularly Governor Bermejo (Capiz). The latter is probably one of the best the provinces will ever have. We know of their long wish to develop a potential microhydro in Tapaz, an upland municipality with power problems of its own. Antique on the other has a strong League of Municipalities and a long history of civil society involvement in governance, a feature that will come in a handy when support for power development is called for. Capiz and Antique are lucky for having the strong support of the Gerry Roxas Foundation, based in Capiz but with strong links in all Panay Island Provinces. GRF is a very influential institution. We propose to hold two (2) provincial-level workshops in these provinces but will need additional funds to cover airfare, land travel and preparatory work LOE. Both provinces were not in the original list, i.e., Cotabato, Lanao del Norte, Masbate, Northern Samar.

Region 8, Northern Samar:

Everybody agrees on the need for support to Northern Samar. Practically all of its municipalities have unserved barangays. Its league of Municipalities has displayed a lot of initiative in the last few years. Its NGO sector is militantly active and can be counted upon for support when RE issues are brought up before the local development councils both at the provincial and municipal levels. The province, I believe is a good choice. We propose to hold a provincial and a municipal workshops in the province (2).

Region 9, Zamboanga del Norte:

Again a DOE priority. Like Northern Samar, many of its barangays are unserved. Many of its municipalities, which border Zamboanga Sur have a long history of civil conflict (MNL/MILF/NPA). But its Governor, Isagani Amatong, belongs to the likes of Governor Vic Bermejo of Capiz: democrat, strong, honest and viciously pro-decentralization. His line of leadership is impeccable. I would highly rate the likelihood of success of a project under his leadership. Civil society membership in his development council is active and progressive. We plan to hold one provincial workshop in Dipolog City.

Region 12, Lanao del Norte:

USAID has a long presence in the province through ILAP, GEM, and GOLD. There are pockets of unserved barangays, particularly Muslim areas, in the province. ILAP in particular has succeeded in bringing some level of stability in its once-MILF/MNLF zones and the USAID would like to follow through on those gains. It would be a good learning experience to hold a consultation with one of the more advanced ILAP sites (Tangkal). We probably will be holding the workshop in Tangkal, subject to Governor Dimaporo's approval.

Please agree on the list so we can proceed to prepare for the workshops. Time is running out on us with the coming Holy Week and elections. We plan to hold all workshops before the Holy Week. It may be difficult to hold these after that period.

Thank you.

Butch Ragragio

Annex 2

Sample of Consultation workshop Handouts

"Frequently Asked Questions on the Opportunities for Investing in New and Renewable Energy for LGUs